



# Financial Foundations

## Building Blocks workshop

Good money-management skills can help you feel in control and ensure you make the most of what you have. To get started, it helps to understand the basics like your income, taxes, how to budget and different ways to borrow.



NatWest

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# Get to know your payslip

Before you can start thinking about budgeting, it helps to know how much you've got coming in each month and understand what's deducted from your wage packet before it lands in your current account.

## Your payslip will include:

- **Your gross pay** – this is your full pay before any tax or National Insurance has been taken off.
- The total amount paid into your bank for that period after deductions. This is called your **net pay**.
- **Any deductions** from your pay and what they're for. This includes tax and National Insurance.
- **Extra payments**, such as overtime, commissions, tips, pay in lieu or bonuses.
- **Student-loan repayments**, which are made monthly once you're above the repayment threshold; salary-sacrifice scheme payments; charity donations; and trade union subscriptions.

If you're paying towards a workplace **pension** that your company has set up, or other **workplace benefits** like life cover or private medical insurance, the amount you're contributing will also be shown.



# Understanding tax

**Your tax code, provided by HMRC, is used to calculate how much tax to take from your pay. It depends on:**

- Your income.
- How much tax you've already paid in the year.
- Your Personal Allowance.

A Personal Allowance is the amount you can earn before Income Tax applies in a tax year, and everyone is entitled to one, including students.

In 2024/25, this allowance is £12,570, meaning earnings below this amount are usually tax-free.



**For more information on payslips, visit:**

[What is my take home pay?](#) on the NatWest website.

[Understanding your payslip](#) from MoneyHelper.

**Getting to grips with inflation**

Inflation is when money loses value over time. It can impact your savings, investments and borrowing, as high inflation often leads to high interest rates, which makes it more expensive to borrow money.

For more information on inflation, visit [Inflation – what does it mean for your savings?](#) from MoneyHelper.



# Budgeting

It's important to have a clear picture of how much you're spending each month, so you know how far your income will go.

## When creating a budget, you need to think about:

- How frequently you're paid.
- The total cost of your essential 'needs', such as rent or mortgage, household bills and travel costs.
- How much you usually spend on your 'wants'.
- Changes to the timing of your income – for example, if you're paid early before Christmas.

There's more than one way to budget. Piggybanking involves setting up multiple 'piggy banks' (either real or digital ones) and splitting your money between each one. This method gives you a clear picture of how much you have left for all the things that you spend your money on. It also ensures that you have enough to cover your essentials.

The 50/30/20 method works by dividing up the money you have coming in and then breaking it down into how you'll spend it.

Typically, 50% goes to essentials, 30% goes towards nice-to-haves, and 20% goes to debt repayments or savings. This method is more flexible but ensures that you spend below what you earn.

## What else can help you budget?

**Budgeting apps** – Apps like Emma and Moneyhub can help you save time and money when planning your finances.

**Our budget calculator** – This tool can help you see how your finances shape up so you can take steps towards where you want to be.

**Our Spending and Budget Tracker** – Featured on our app, this tool categorises your spending and provides personalised insights.

**MoneyHelper** – Backed by the government, this resource provides free and impartial money and pensions guidance.

Our App is available to customers aged 11+ with a compatible iOS and Android device and a UK or international mobile number in specific countries. Spending Tracker is available to customers aged 16+ who have a Personal or Premier account with us.



# Maximising your **income**



When times are tough, it's helpful to know you are making the most of the money you have to help ease the situation.

**The good news is there are ways to cut back on some of your costs and make your income go further, such as:**

**Ways to save on bills** – while your household bills are an essential cost, changing your tariff or applying for energy efficiency grants could help reduce them. You could also use a bill prioritiser to help you manage your payments.

**Ways to boost your income** – as well as making sure you're receiving any benefits you might be entitled to, you could check if you qualify for a charitable grant to take some pressure off. It's also worth checking you don't have any forgotten insurance for when times are tough, such as sickness or unemployment cover.

## Where else can you find support?

Use this [benefits calculator tool](#) to see if you're eligible for any additional support from the government.

Read MoneyHelper's [Living on a squeezed budget guide](#) to see if there are other ways you could maximise your money.

[Citizens Advice](#) also has lots of helpful information on ways you could increase your income, from renting out a room to checking you're being paid the right wage.



# Borrowing

## basics

Before borrowing money, it's a good idea to look at the different options available so you can make a choice about which one is best for you.

### **Credit cards**

Credit cards can be useful in emergencies and can boost your credit score if managed responsibly. However, credit card debt is something to stay on top of, especially as interest rates could see you paying out a lot more. It's important to know the APR (Annual Percentage Rate) on any credit card before you take it out. This is a percentage that covers the card's interest rates as well as other standard fees, and it can be a lot.

### **Overdrafts**

Like credit cards, overdrafts are designed to temporarily help people with short-term credit if things are a bit tight every now and then. However, living in your overdraft, exceeding your limit or using it too often could see you charged money each month by your bank.

### **Mortgages**

A mortgage is a way of borrowing money to buy or refinance a property. These loans are generally repaid over relatively long periods, often 25 years or more, to spread out the large cost of buying a home.

Like other loans, mortgage lenders charge interest and sometimes other fees, on top of the amount borrowed. The lender will also secure or guarantee the repayment of the loan, interest and fees. This means the lender can sell the property if, at some point, the mortgage cannot be repaid.



# Borrowing

## basics

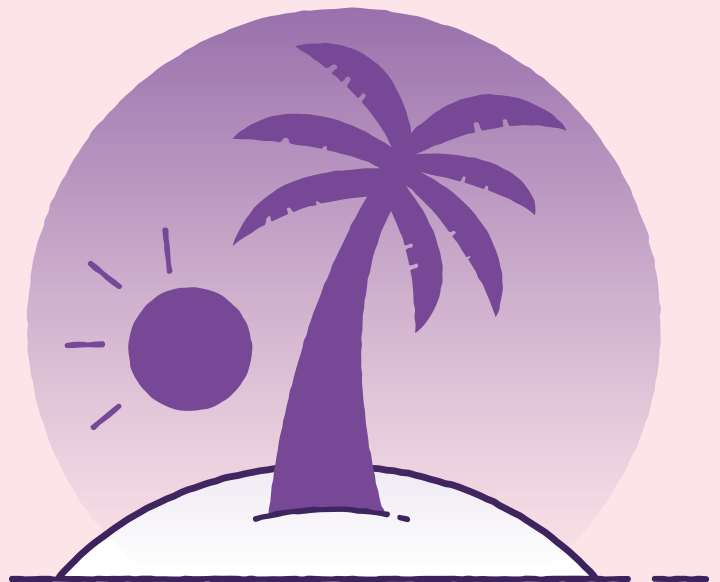
### Personal loans

A bank may offer to loan you money on the basis that you will repay it in equal monthly instalments over five years, but with interest. As with a mortgage, the monthly cost will be set, so you will have a clear picture of your commitment over the repayment time.

### Loan sharks

Loan sharks offer illegal lending and often target people who need to borrow money but can't access it from legitimate sources. They might seem friendly at first, but borrowing from them is never a good idea – even if you feel you have no other options. Risks include:

- Paying far more in interest than you would through any legal borrowing.
- Being harassed or threatened if you get behind with your repayments (there have been reports of people being intimidated or attacked).
- Being pressured into borrowing more money to repay one loan with another, and ending up in a spiral of debt that you can never repay.



#### For more information:

If you need to borrow money, MoneyHelper can help you decide the best type of credit for your situation. If you find yourself in debt or struggling with repayments, remember debt advice is free. Some great places to start include:

- Your bank or lender – all banks have teams that will help you to make a manageable plan
- A debt-advice charity such as Citizens Advice, StepChange, PayPlan or the National Debtline.



# Understanding your **credit score**

Banks and other lenders use a credit score to decide how likely you are to pay them back. Your score is based on how well you manage your finances. It's a bit like a financial footprint that shows if, for example, you've missed any bill repayments. The higher your credit score, the better your chances of getting a loan, credit card or mortgage. A higher score might also make it easier to borrow more money or get a better interest rate.

## **How is it calculated?**

Before you can borrow money, lenders normally undertake a credit-score assessment, including information from one or more of the three credit-reference agencies in the UK – TransUnion, Experian and Equifax. Each agency calculates your score a little differently, but they all look at the same kinds of things to work out if you meet their lending requirements.

## **What impacts credit scores?**

### **Financial factors, such as:**

- How much money you owe lenders.
- Any missed or late payments.
- Defaulting or breaking the terms of credit agreements.
- Going over your credit limit.
- How often you withdraw cash using your credit card.
- Applying for credit too often in a short space of time.

### **Non-financial factors, like if...**

- You're on the electoral roll.
- You move house a lot.
- You share a joint account with someone that has a bad credit record.
- There are any errors on your credit history file.



# Know your credit score

If you are looking to take out a loan or want to know where your finances stand, you can check your credit score for **free** no matter who you bank with.

## **With NatWest's Know Your Credit Score service, you can:**

- Find out your credit score and see what's impacting it.
- Get personalised tips to help boost your score.
- View your full credit report, including any searches on your profile.
- See how taking out a new credit card or loan could affect your credit score without impacting it.
- Learn how credit scoring works, with our credit education and jargon buster section.
- Discover how to meet your financial goals.

If you're a NatWest customer, you can log in via the NatWest app. If you're not a customer, scan the QR code below to fill in a short form to access your score.

For more information, visit [Know your credit score on the NatWest website.](#)



\*Free for those aged 18 or over with a UK, Channel Islands, or Isle of Man address, following successful registration. Data provided by TransUnion. App available to customers aged 11+ with a compatible device and a UK or international mobile number from specific countries.



# Finding support



## Further resources

**NatWest** offers a wealth of information, tips and pointers on managing your money.

Visit our website to find support with:

- [Managing your money.](#)
- [A quick guide to better budgeting.](#)
- [Reducing your household bills.](#)

You'll also find useful tools and services, such as:

**Our budget calculator** – Use this to see how your finances shape up and take steps towards your goals.

**NatWest Check-in** - Our free Financial Health Check is a review of your personal finances, giving helpful hints, tips and ideas to help you get financially fitter both now and in the future.

**Insights, tips and tools** – NatWest customers can explore the Insights area of our app to find ways to spend less and save more. You can also discover new ideas and tools to boost your financial wellbeing. Eligibility criteria may apply.

You could also use this **benefits calculator tool** to see if you're eligible for any additional support.



